

CHAPTER 8

CHINA'S MILITARY MODERNIZATION AND THE CROSS-STRAIT BALANCE

“REGIONAL ECONOMIC AND SECURITY IMPACTS.

The Commission shall . . . review the triangular economic and security relationship among the United States, Taipei and Beijing, including Beijing's military modernization and force deployments aimed at Taipei, and the adequacy of United States executive branch coordination and consultation with Congress on United States arms sales and defense relationship with Taipei.” [P.L. 108–7, Division P, Sec. 2(c)(2)(F)]

KEY FINDINGS

- There has been a dramatic change in the military balance between China and Taiwan. In the past few years, China has increasingly developed a quantitative and qualitative advantage over Taiwan.
- The People's Liberation Army (PLA) continues to acquire military capabilities aimed at intimidating Taiwan and deterring the United States from intervening on Taiwan's behalf in the event of a Taiwan Strait crisis. It appears the Chinese buildup is designed to forestall measures that China perceives as steps toward independence by Taiwan and to coerce Taiwan to end the island's continued separate status. A significant component of China's military modernization strategy is to develop sufficient capabilities to deter U.S. military involvement in any cross-Strait conflict and to prevail even if the United States becomes involved.
- China's ballistic missile force consisting of between five hundred to five hundred fifty missiles with an annual increase of some seventy-five is a destabilizing factor in the trilateral relationship between the United States, China, and Taiwan. These missiles directly threaten Taiwan, while China's longer-range conventional missiles could also threaten Japan and U.S. forces deployed in the region.
- China's submarine acquisition and development program represents an increasing threat to U.S. naval operations, either in support of Taiwan or regional operations in the Western Pacific and South China Sea.
- A key element of China's military modernization program has been extensive acquisitions of foreign military technologies, particularly from Russia. Removal of the EU arms embargo against China currently under consideration would accelerate weapons modernization and dramatically enhance Chinese military capabilities and might lead Russia to authorize the export of even more sophisticated systems to China.

- The Taiwan Relations Act (TRA) gives Congress a unique oversight role in assessing Taiwan's defense needs. While there has been some recent improvement in terms of consultations, the Commission believes that executive branch coordination with Congress in this area has not been sufficient to allow Congress to fully exercise its important joint policymaking role in formulating U.S. defense assistance policy toward Taiwan.

OVERVIEW

The complex set of relations among the United States, China, and Taiwan requires careful diplomacy, a strong defense, and continued assessment by the United States of the military balance between the two sides. The central goal of the United States' Asia-Pacific policy is to preserve peace and stability in the region and to maintain the current status quo between China and Taiwan. The current policy of the United States has been designed to promote an environment that contributes to peaceful relations between Beijing and Taipei. Following the discussion of cross-Strait political developments in Chapter 4, this chapter focuses on the parallel military situation.

The Commission held a hearing on February 6, 2004, that examined *China's Military Modernization and the Cross-Strait Balance*. The Commission heard from senior State and Defense Department officials on current developments in U.S.-China-Taiwan trilateral relations. The Commission also heard from experts on the parameters of U.S. commitments to Taiwan under the TRA and the role of Congress laid out in the TRA, and from analysts of China's military modernization programs and its military-industrial complex.

The Commission also supported two research projects on China's arms buildup: The first was a report on Chinese procurement activities at the Moscow Air Show, with a particular focus on the ongoing China-Russia arms relationship. The second was an analysis of the impact of acquisitions of foreign weapons and technology on the PLA's weapons development and modernization programs. Both reports are available on the Commission's Web site.¹

ANALYSIS AND FINDINGS

Military Modernization and Growth of Defense Spending

In testimony to the Commission, Dr. Evan Medeiros of the RAND Corporation stated that between 1990 and 2002, China's official defense budget allocation for weapons procurement grew from five billion renminbi (\$600 million) to 57.3 billion renminbi (\$6.9 billion). This represents an approximately one thousand percent increase over a twelve-year period, outpacing China's rapid growth in GDP. According to Dr. Medeiros, the share of the budget devoted to weapons procurement also increased, from 16.3 percent in 1990 to 33.8 percent in 2002.² See figure 8.1 for a presentation of China's defense spending from 1997 to 2004.³

Figure 8.1 China's Defense Spending, 1997–2004
(in billions of yuan)

	Defense Spending	Percentage Increase	Percentage GDP growth	Consumer Price Index (CPI)
1997	80.570	12.7	8.80	2.800
1998	90.990	12.7	7.80	−0.800
1999	104.650	15.1	7.10	−1.300
2000	120.750	12.7	8.00	0.400
2001	144.200	17.7	7.30	0.700
2002	169.440	17.0	8.00	−0.800
2003	185.300	9.6	9.10	0.500
2004	207.000	11.6	9.50	1.100
Total	1102.900			
Averages	137.860	13.6	8.20	

Source: see footnote 3.

Along with the increase in China's weapons budget, there has been an annual increase on average of thirteen percent in China's officially announced defense budget. These increases are significantly larger than China's GDP growth rate and its inflation rate, China's stated reasons for the growth in its defense budgets. According to Ding Jiye, director of the Finance Department of the PLA General Logistics Department, China will increase its spending on defense in 2004 by 21.83 billion renminbi (\$2.64 billion).⁴ The Commission agrees with the current Defense Department assessment that the PLA defense budget is grossly underreported and that reliance on official figures excludes much of China's military modernization program. The Commission continues to estimate that China's defense budget is at least two to three times higher than official statements. According to Deputy Assistant Secretary of Defense Richard Lawless, "the officially announced budget in 2004 is more than \$25 billion, but when off-budget funding for foreign weapon system imports is included, we estimate total defense-related expenditures this year between \$50–\$70 billion, ranking China third in defense spending after the U.S. and Russia."⁵

China's Ballistic Missile Buildup

China's continuing ballistic missile buildup and the rapid pace of deployment opposite Taiwan are a serious challenge to Taiwan's security. These missiles increase the range of options Chinese authorities have to threaten and coerce decisions taken in Taipei. The PRC currently has approximately five hundred to five hundred fifty short-range ballistic missiles (SRBMS) deployed that can strike Taiwan, and that number is expected to grow substantially over the next few years.⁶ According to Stephen Blank of the U.S. Army War College's Strategic Studies Institute, "These missiles include the modified M11A and M9A that have ranges of six hundred and

five hundred kilometers, respectively, and can strike any area of Taiwan from their bases in Nanjing military region.”⁷ According to the Defense Department’s 2003 *Annual Report to the Congress on China’s Military Modernization*, (2003 DoD Report) all of China’s known SRBM assets are believed to be based in the Nanjing Military Region opposite Taiwan.⁸ Deputy Assistant Secretary of State Randy Schriver testified before the Commission that the State Department believes “the missile threat and the missile challenge is extremely serious.” Taiwan currently has limited dedicated military assets to guard against such an attack.

China’s increasing ballistic missile inventory may have already in fact altered the status quo in the Taiwan Strait. Deputy Assistant Secretary Lawless noted in his testimony that “the build-up directed so forcefully and frontally against Taiwan, is clearly an attempt to change the dynamic. And by dynamic, I mean to an extent, China’s calculation on what the cost would be to China both in terms of resources and of time that would have to be devoted to coerce or invade Taiwan.”⁹ This changing dynamic is an issue requiring review and focus by U.S. policymakers. The necessity of maintaining a U.S. policy of ambiguity concerning Taiwan’s *de jure* status should not blind us to the *de facto* shift that is taking place in the military balance.

China sees its missile deployments as a lever to gain influence over Taiwan. It has been reported that then-President Jiang Zemin proposed to President Bush in October 2002 that China could link its deployment of short-range missiles facing Taiwan to U.S. arms sales to Taiwan.¹⁰ This proposal did not result in any public response by the United States. If China chose to ease cross-Strait tensions by redeployment of the missiles, the threat would still remain, as China retains the ability to strike the same set of targets with longer-range ballistic missiles and long-range cruise missiles. While the distances traveled would be longer, the time necessary to accomplish the mission would not be inordinately extended. These missiles are mobile and can be moved with little notice. This would be a less visible but still effective coercive tool against the authorities in Taipei.

Weapons Development and Acquisitions: Shifting the Cross-Strait Balance

China is in the middle of a far-reaching buildup of its naval, air, and ground forces as well as ongoing development of information warfare capabilities and enhanced space-based assets. China is developing a leading-edge military with the objective to intimidate Taiwan and deter U.S. involvement in the Strait.

The military modernization program initiated by Deng Xiaoping in the early 1980s has had a significant effect not only on actual Chinese military capabilities but also on how the United States and its regional allies view their relationship with China. The weapons China is acquiring are an increasing challenge to American technical military superiority in the region. The Chinese strategy of improving its force options versus Taiwan and the ability to deter and counter U.S. military intervention is fast becoming a reality.

According to testimony before the Commission by Dr. David Finkelstein of the CNA Corporation, "Acting upon its own assessments of the rapidly changing nature of warfare and China's changing security environment, Beijing's military leadership came to the conclusion that the armed forces of China were ill-suited to cope with its future defense-related challenges. The scope of reforms the Chinese defense establishment planned to achieve cuts across every conceivable facet of activity within that establishment."¹¹

China's strategic acquisition program and the development of strategies and doctrines to meet these challenges continue unabated. On December 17, 2003, *ITAR-TASS* reported that Russian Defense Minister Sergei Ivanov and Chinese Defense Minister Cao Gangchuan signed a follow-on working protocol on bilateral military-technical cooperation for 2004.¹² According to this report, "China is no longer purchasing massive numbers of weapons systems but is pursuing initiatives to obtain licenses and to *co-produce weapons for export*." This is a significant emerging issue, as this level of cooperation with Russia would help China's goal of evolving into a modern weapons-producing nation. According to a Commission-sponsored study by Richard Fisher, the PLA has become the major purchaser of Russian military weapons and technology:

By 2006, the PLA could have 400 SUKHOI fighters and fighter bombers.¹³ These will be armed with thousands of Russian made air-to-air and precision-guided air-to-ground munitions. Current U.S. F-15C, F-16 and Navy F/A-18C/E/F fighters will face an imposing challenge from the growing number of multi-role capable PLAAF SUKHOIS. In terms of maneuverability and close-in fighting, the SUKHOI has an advantage over the U.S. fighters in terms of higher thrust-to-weight ratio and lower wing loading, which give it better maneuverability.¹⁴ Even with U.S. Air Force F-15C fighters based in Okinawa, the PLA's fleet of 300-400 SUKHOI fighters would overwhelm U.S. fighters and their AWACS and tanker support. PLA will have many hundreds of advanced track via missile S-300 SAMs. By 2007, thereabouts, at least 12 KILO submarines, eight of which will be armed with advanced long-range CLUB anti-ship missiles, and this goes on to include naval weapons technologies that's enabling three new classes of stealthy warships.¹⁵

Dr. Finkelstein also notes, "The PLA is demonstrating that it is a learning organization. They know what's wrong with the PLA. They're working to make the necessary adjustments. And it's likely going to take many years for the PLA to turn its aspirations into reality."¹⁶ The PLA has begun to integrate these systems into its operational forces and is in the process of rationalizing their use in a cross-Strait encounter.¹⁷ Moreover, China is attempting to develop the capabilities to avoid or counter U.S. involvement in a conflict in the Strait. It has been demonstrated in military exercises that China has incorporated a confrontational training strategy,¹⁸ and most of the training now explicitly identifies the United States as a possible adversary.¹⁹ As the 2000 Defense Department report

on China's military modernization states, "A cross-Strait conflict between China and Taiwan involving the United States has emerged as the dominant scenario guiding PLA force planning, military training, and war preparation."²⁰

U.S.-China Increasing Naval Competition

China's military modernization is focused on exploiting assessed vulnerabilities in Taiwan's national and operational-level systems and on Taiwan's dependence on shipping for its survival. The Commission noted in its 2002 report that the topic of a Chinese blockade of Taiwan would be the most important defense topic in the coming decade.²¹ China views the United States as the primary maritime obstacle to its interests in East Asia, especially Taiwan. Enforcing its South China Sea territorial claims—including the Spratly Islands—requires the PRC to possess a navy that can sustain itself away from shore, with air defenses, and air cover.

In the past two years, the PRC Navy has initiated a significant program to build military ships. It has been reported that "construction has begun on some 70 military ships over the last 12 months, including a number of landing craft."²² According to Dr. Evan Medeiros of the RAND Corporation, "in the last three to four years, one of China's key shipyards has built four new 7,000-ton destroyers based on stealthy design and with improved air defense and anti-submarine capability. The serial production of these modern vessels is a first for China's shipbuilding industry."²³

The Commission also heard testimony from Professor Lyle Goldstein and Mr. William Murray of the Naval War College that China is making a significant investment in submarine and anti-submarine warfare. Submarines have become a central focus of China's naval and peripheral strategy. It is easier to track a submarine with a submarine, and the numbers and types of submarines China is acquiring could seriously impact U.S. submarine operations in the region. China has focused its resources on the purchase of Russian state-of-the-art naval platforms and associated weapons. In 2002, Russia sold China an unprecedented number of Russian *KILO*-class submarines and the antisubmarine/antisurface shipping *TEST-71* torpedo.²⁴ Russia continues to provide technical support to China's domestic production of the *SONG*-class submarine. The 2002 Defense Department report indicates that the *KILO*-class submarines provide Beijing with access to previously unavailable quieting and weapons technology. Additionally, the 2002 report stated, "China will continue using Russian technology to improve quieting, propulsion, and submarine design; it also is incorporating foreign technology into its existing submarines. China also will benefit from the maturation of its domestic submarine research and development infrastructure to achieve a capability to design and manufacture modern submarines domestically."²⁵

As the 2003 Defense Department report states, "The principal areas where China appears to be making advances in coercive military capabilities involve airpower, missiles, and information operations. Military coercion also can be accomplished through the use of blockades and quarantines."²⁶ Taiwan is vulnerable to Chinese coercive threats to its seaborne supply lines. The PLA has initiated a program to upgrade its submarine force's systems, weapons,

training, and doctrine. The PLA Navy's near-term focus on diesel submarines, however, is one of several indicators suggesting that Beijing's preferred coercive tool against Taiwan would be a naval blockade.²⁷ According to the testimony of Professor Goldstein and Mr. Murray, "China is making a very significant investment in undersea warfare and submarines are emerging as the centerpiece of its ongoing naval modernization."²⁸

Moreover, according to Mr. Murray, "In May 2002, Russia announced a contract to sell eight of these *KILO* submarines to the People's Republic of China. They're getting eight of these for \$1.6 billion, and depending on the source, they'll either take delivery by 2005 or 2007. These submarines are extremely difficult to find, and they'll be operated in some of the most challenging antisubmarine warfare environments on the face of the earth."²⁹

China has a tremendous number of submarines. According to Professor Goldstein and Mr. Murray, "One submarine that is unlocated is going to cause a battle group commander to take a real hard look at what he wants to do and why. And China can easily muster 40 or 50 submarines without much trouble whatsoever. Additionally, China has something we have a hard time getting over there, and that's local knowledge. When they operate in these waters day after day, hour after hour, they acquire a level of expertise on where it's quiet, where it's noisy, where are the fishing vessels and so on and so forth, that we just don't have yet."³⁰

Russia-China Military Transfers—Increasing Lethality

A comparison between Russian arms exports to China in the early 1990s with those more recently authorized shows an alarming increase in lethality and sophistication. Restrictions on the levels and types of technology the Russian government was willing to sell to China have weakened. Russia is selling systems to China that only a few years ago the Russian military establishment was hesitant to even discuss, let alone sell, e.g., the *CLUB-S* antiship cruise missile. And with concern growing over the lifting of the EU arms embargo, the Putin administration may be emboldened to authorize the export of even more sophisticated systems to China to retain its market share. Nikolay Shcherbakov, adviser to the director general of the Altair Naval Scientific Research Institute of Electronic Engineering, is reported as saying that "we are supplying China with new-generation equipment. We have been allowed to supply *MOSKIT* supersonic antiship cruise missiles with twice the range—240km instead of the existing 120."³¹ Additionally, collaborative ventures between Russian and Chinese defense firms can be tied directly to qualitative improvements in Chinese weapons.

The cumulative effect of the acquisition of Russian arms provides the foundation the PLA needs to develop new doctrines, strategies, and mission capabilities. In his testimony to the Commission, Mr. Fisher stated that "these new capabilities are increasingly presenting specific challenges to American power in Asia and are propelling what some officials in Taiwan fear will be a crossover in the military balance by 2005 and beyond."³²

Although the PLA is still reliant on foreign acquisitions, in the last five years China's defense-industrial base is becoming a modern productive base capable of producing the components, systems,

and weapons that China needs. China's industrial firms have improved their R&D techniques, their production processes, and the quality of their output. It is long-term Chinese policy to acquire both weapons systems and an indigenous capability to produce that system. This policy is beginning to have an immediate impact on systems capabilities. According to Dr. Medeiros, China "has been able to serialize the production of destroyers based on stealthy designs with improved air defense and anti-submarine capability. China has also improved its ability to serial produce ballistic missiles with an increase in annual production of short-range ballistic missiles from 50 to 75 percent."³³

Israel-China Military Transfers

As the Commission noted in its 2002 report, Israel was second only to Russia as a weapons system provider to China and as a conduit for sophisticated military technology. The Commission continues to be concerned over Israeli transfers of U.S.-origin technology to China.

In January 2003, it was reported in the Israeli press that in response to concerns raised by the United States, the government of Israel had decided to suspend all contacts on the export of arms equipment to China.³⁴ At that time, Israel apparently gave assurances to the United States that it would not sell any item to China that could harm U.S. security.³⁵ The United States and Israel subsequently established a framework by which they are able to discuss the issue of Israeli defense assistance to China. According to Amos Yaron, director-general of Israel's defense ministry, "There are things we are able to do and are doing, and there are things that are more problematic, and it is in this framework that we will continue to work with China and with our U.S. friends to clarify matters and avoid misunderstandings."³⁶

In late March 2004, Israeli press reports indicated that Mr. Yaron had held talks in Beijing on re-establishing Sino-Israeli defense ties.³⁷ The specific content of these discussions is not a matter of public knowledge. The Commission understands that Israel has offered training facilities, including one for urban warfare, to train China's security forces for the Olympics. Over the last year, reports indicate that Israeli firms have discussed a range of projects with China, including the export of sensor and observation systems, security fences, microwave and optics, training, metal detectors, and packages for airport and vital facilities security. The press report stated that Israel had also offered the Chinese training in the use of unmanned air vehicles to monitor facilities.³⁸ According to a December 15, 2003, *Defense News* story, "Israel's MOD (Ministry of Defense) recently granted more than a dozen licenses for Israeli firms to market specific products and services in China, industry officials here said. Israeli-developed systems proposed for sale to China's People's Liberation Army include the Tavor personal assault weapon, pilot training systems, advanced communication and surveillance gear, and a range of unmanned aerial vehicles."³⁹

The Defense Department reports that Israel has sold a number of *HARPY* unmanned aerial vehicles (UAV) to China.⁴⁰ The PLA has apparently integrated the *HARPY* into its operational forces,

since they appeared in PLA exercises during 2002. The *HARPY* is designed to detect, attack, and destroy radar emitters. These systems pose a significant threat to various critical military C4ISR facilities on Taiwan as well as to U.S. operational forces operating in the region. The UAV has a range of about five hundred kilometers and contains a high-explosive warhead.⁴¹

Finding the “Silver Bullet”

Contemporary Chinese military analysis tends to use the term “assassin’s mace” or “trump card” to cover a broad spectrum of Chinese military programs that more rightly should be assessed as conventional, rather than asymmetrical, operations. In his monograph *Rethinking Asymmetric Threats*, Dr. Stephen J. Blank writes, “We need to understand that it is not so much threats that are asymmetrical. Rather, it would perhaps be more precise and possibly even more instructive to use the term asymmetric with respect to strategies and enemies.”⁴² According to Mr. Jason E. Bruzdinski of the Mitre Corporation, “Traditional emphasis on superior strategy and tactics is an important characteristic of China’s strategic culture. This emphasis profoundly influences Chinese military thinking today, despite the recent focus placed on introducing advanced military hardware into the PLA. Specifically, *shashoujian* [assassin’s mace] blends traditional Chinese war fighting strategies with modern systems, platforms, and weapons that benefit from technology of the information age.”⁴³

China-Taiwan Information Warfare

Current PLA discourse promotes information warfare as an effective weapon to subdue Taiwan and deter possible U.S. intervention. According to University of Richmond Professor Vincent Wei-cheng Wang, “The attainment of long-range precision interception weapons, the use of unused frequencies in civilian TV and radio broadcasting for information communication, encryption-based codes to prevent information stealing, space and satellites to obtain intelligence, use of saturated tactical ballistic missiles, and the development of a directional infrared jamming system all are among Chinese possibilities.”⁴⁴ In the Taiwan Strait, the PLA seeks to gain information dominance in a conflict with Taiwan by attacking Taiwan’s command and control centers and information networks and by conducting propaganda and political warfare. The purpose is to coerce Taiwan by subduing the enemy without actually fighting.⁴⁵ According to the 2003 Defense Department report, “There is an emphasis on conducting operations that will paralyze the high-tech enemy’s ability to conduct its campaign, including operations to disrupt and delay the enemy’s capabilities at its inception Degrading a high-tech adversary’s ability to process or gather information is viewed as an absolutely essential task if the weak is to defeat the strong, especially if that high-tech adversary is perceived to be overly dependent upon information systems to enable its own operations.”⁴⁶

Recognizing the possible involvement of the U.S. military, the current scholarship on China’s R&D finds that PRC strategists believe that a superior navy could be defeated through the disabling of its space-based systems, as for example, by exo-atmospheric det-

onation of a nuclear warhead to generate an electromagnetic pulse, or advanced weapons systems such as tactical laser weapons. In addition to attacks against U.S. military systems, infrastructure, and forces, targets of an asymmetric attack include the domestic U.S. and Taiwan militarily critical infrastructures such as telecommunications networks, electrical power grids, civilian aviation systems, transportation networks, seaports and shipping, highways, and television broadcast systems.⁴⁷ It has recently been reported that China has successfully developed a laser cannon with a range of more than one hundred kilometers and might have already deployed it in Fujian Province facing Taiwan.⁴⁸ This era of Chinese military strategy, which focuses on the search for “silver bullet” weaponry to defeat a stronger opponent, viewed from a politico-military standpoint, signifies that the complex cross-Strait relationship is entering a new and, arguably, unstable era.⁴⁹

Potential Lifting of the EU Arms Embargo

French President Chirac⁵⁰ and German Chancellor Schroeder⁵¹ are on record stating they believe the current EU arms ban against China imposed in 1989 as a Tiananmen-related sanction⁵² is outdated and should be removed. While not actually binding, the policy did hold each country to prior discussion before the export of weapons to China.⁵³

An EU working group has been formed to look into the matter and report back to the European Commission. EU Foreign Policy Chief Javier Solana has signaled support for lifting the ban.⁵⁴ Access to more advanced systems and integrating technologies from Europe would have a much more dramatic impact on overall Chinese capabilities today than say five or ten years ago. For fourteen years, China has been unable to acquire systems from the West. Analysts believe a resumption of EU arms sales to China would dramatically enhance China’s military capability. If the EU arms embargo against China is lifted, the U.S. military could be placed in a situation where it is defending itself against arms sold to the PLA by North American Treaty Organization (NATO) allies. As John Tkacik of the Heritage Foundation writes, “EU members need to ask two questions: Which country is the most likely adversary against which China would employ advanced European military systems, and have the conditions that justified imposing the EU ban changed significantly.”⁵⁵ Additionally, this action could presumably affect the ability of the United States and NATO countries to cooperate in defense ventures. If European firms are permitted to sell arms to China, it should certainly impact decisions on any cooperative ventures between U.S. and European defense firms.

U.S. Policy and the Taiwan Relations Act

The central pillars of U.S. policy toward Taiwan are the TRA, the three communiqués, and President Reagan’s Six Assurances. The TRA provides a solid legal framework for the bilateral relationship and plays an important role in both Taiwan’s security and its domestic political developments. The historical origins of the act go back to January 29, 1979, when the Carter administration sent a bill to Congress providing for the conduct of unofficial U.S.-Taiwan relations in the post-Beijing recognition period. The original bill

contained a basic economic, cultural, and functional framework but did not provide for security guarantees or arms sales.⁵⁶ On March 29, 1979, Congress passed HR 2479; President Carter signed the bill (P.L. 96–8) into law on April 10. The main effect of the law guaranteed that U.S.-Taiwan relations would not be disrupted by the lack of diplomatic recognition. section 4 (a) of the TRA states:

The absence of diplomatic relations or recognition shall not affect the application of the laws of the United States with respect to Taiwan, and the laws of the United States shall apply with respect to Taiwan in the manner that the laws of the United States applied with respect to Taiwan prior to January 1, 1979.

At the time of recognition of the PRC, President Carter also terminated the twenty-five year-old U.S.-Taiwan mutual defense treaty. As a result, the TRA provided the legislative authority for continued arms sales and a statement concerning U.S. support for Taiwan's defense needs.

Key elements of the TRA include the following:

P.L. 96–8, section 3301 (2)(b)(4): It is the policy of the United States ... to consider any effort to determine the future of Taiwan by other than peaceful means ... a threat to the peace and security of the Western Pacific area and of grave concern to the United States.

P.L. 96–8, section 3302:

(a) Defense articles and services. In furtherance of the policy set forth in section 3301 of this title, the United States will make available to Taiwan such defense articles and defense services in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.

(b) Determination of Taiwan's defense needs. The President and the Congress shall determine the nature and quantity of such defense articles and services based solely upon their judgment of the needs of Taiwan, in accordance with procedures established by law. Such determination of Taiwan's defense needs shall include review by United States military authorities in connection with recommendations to the President and the Congress.

(c) United States response to threats to Taiwan or dangers to United States interests. The President is directed to inform the Congress promptly of any threat to the security or the social or economic system of the people on Taiwan and any danger to the interests of the United States arising therefrom. The President and the Congress shall determine, in accordance with constitutional processes, appropriate action by the United States in response to any such danger.

In his testimony to the Commission, Deputy Assistant Secretary Lawless said, "The United States takes its obligations to assist Taiwan in maintaining a self-defense capability very seriously. The United States actively monitors the security situation in the Taiwan Strait. We make available articles and services to Taiwan to

ensure that it can maintain a sufficient self-defense capability. We work with Taiwan on a series of non-hardware-related initiatives to address perceived shortcomings in Taiwan's readiness, and we maintain capabilities to assist in the defense of Taiwan if so required. The preservation of Taiwan's democracy depends on effectively balancing these two goals while providing Taiwan with the support it needs to deter PRC coercion."⁵⁷

TRA and the Congress

Through the TRA, Congress granted itself a joint role in Taiwan policy—it became a partner with the executive branch in assessing Taiwan's defense needs and in deciding how to respond to threats in the region.⁵⁸ Therefore, the TRA imputes shared decision-making by Congress. Unfortunately, the executive branch has not sufficiently coordinated its cross-Strait policies and actions with Congress in a manner allowing Congress to fully exercise its important role. For example, Congress has historically been notified only after the executive branch has in effect made a decision on the sale of specific weapons to Taiwan or after it had taken some Taiwan specific action.

The Taiwan Strait crisis of 1995–96 exemplifies the consequences of a lack of a robust congressional-executive coordination on cross-Strait policy. China conducted a series of missile firings within a few kilometers of Taiwan's major ports, Keelung and Kaohsiung. In response, President Clinton ordered two aircraft carrier task forces to divert to the waters near Taiwan.⁵⁹ Congress then requested that the president report to Congress on Taiwan's security pursuant to his obligations under the Taiwan Relations Act. President Clinton replied that because the purpose of the Chinese exercises was to "send a political message to Taiwan and the United States, and not to prepare for imminent military action against Taiwan," he was not required to report to Congress.⁶⁰ Unfortunately, it took military action by China to get the kind of focus on the regional balance that should be routine. Other events, such as the PLA's 2001 Dongshan exercise aimed at Taiwan, and Taiwan's 2004 referendum, should each have resulted in consultation with Congress.

In-depth consultations and systematic congressional-executive coordination on Taiwan as envisioned by the TRA and as envisioned by P.L. 107–228 on semiannual consultations are going to be critical for effectively managing this area of U.S. foreign policy going forward. The legislation ensures this responsibility:

P.L. 107–228, section 1263. CONSULTATION WITH CONGRESS WITH REGARD TO TAIWAN. Beginning 180 days after the date of enactment of this Act, and every 180 days thereafter, the President shall provide detailed briefings to and consult with the appropriate Congressional committees regarding the United States security assistance to Taiwan, including the provision of defense articles and defense services.

Additionally, the Foreign Relations Authorization Act of 2003 requires Taiwan to be treated as a non-NATO ally with respect to sales of U.S. defense articles and services.

Taiwan Defense Developments

While China's rapid economic growth has fed the rise in its military expenditures, Taiwan's economic situation appears to be hampering its continuing military modernization. As Taiwan's economic growth has slowed, this has led to constraints on the defense budget. The defense share of the national budget has fallen from 22.8 percent in 1996 to 14.7 percent in 2001. After personnel and administrative costs, there was little left over to acquire new military hardware.⁶¹ The 2004 fiscal year defense budget has a three percent increase, to US\$ 8.03 billion (NT [New Taiwan]\$ 265 billion) up from US\$ 7.8 billion (NT\$ 257 billion) in 2003. The new budget includes a more than thirty percent increase in military investment. Strong concerns have been raised in the United States, however, about Taiwan's budgetary and political commitment to purchasing adequate defense resources.

Taiwan's 2002 defense ministry white paper envisioned a three-pronged defense strategy to combat threats from China's military satellites, ballistic missiles technology, and information warfare.⁶² Taiwan's most significant vulnerability is its limited capacity to defend against the growing arsenal of Chinese ballistic missiles.⁶³

Taiwan's key defense weaknesses include a lack of a strong anti-submarine warfare force, a limited mine-laying and mine-sweeping capability, problems with the island's air defense, problems regarding integration of its various defense assets, a limited ability to conduct coordinated joint warfare (or defense), and a dependence on the United States to provide it with real-time targeting information.⁶⁴ The political situation among Taiwan's army, air force, and navy is characterized by considerable tension. While it is apparent both to those within and without Taiwan that Taiwan's air defense and naval operations are increasingly important to the island's security, the army believes that air and sea superiority cannot be held for long. It is the army's view that it is therefore necessary to plan for a land battle on the island's western shores. The army has fought to have a major say in defense planning and budgetary allocation.⁶⁵

According to news reports, the China Affairs Department of the Democratic Progressive Party published a report on China's basic military capabilities in which it said that Beijing had developed a "sudden strike" strategy to attack Taiwan. This story discussed a scenario in which an attack would consist of an initial seven-minute shock and strike missile barrage that would paralyze Taiwan's command system, followed by seventeen minutes in which Taiwan's air space will be invaded by fighter jets. Within twenty-four hours of the strike, 258,000 Chinese troops could be deployed in Taiwan. China's fast-growing military modernization and expansion is aimed at a possible war between 2005 and 2010, according to the report.⁶⁶

Taiwan Defense Budget and Weapons Programs

Taiwan's Defense Minister Tang Yiau-ming has stated that Taiwan's military is committed to pursuing a high-tech defense modernization program.⁶⁷ The top priority systems include building the announced early warning long-range radar system and the construction of the Po-Sheng [Broad Victory] C4ISR project. The mili-

tary is also interested in purchasing three PAC-3 systems, upgrading its PAC-2 systems, pursuing eight diesel submarines, and acquiring twelve P-3 Orion antisubmarine reconnaissance aircraft.⁶⁸

The total Taiwan budget is NT\$1.352 trillion, or US\$37.15 billion, with the defense portion taking 14.7 percent of the overall budget.⁶⁹ In addition, the government has submitted a request for NT\$50.3 billion (\$1.52 billion) for the acquisition of classified defense systems, with NT\$30.2 billion to be used for weapons.⁷⁰

The 2004 budget includes funding for the “Po-Sheng Project” and the long-range early warning radar system. Work on the Po-Sheng Project, which will coordinate all military functions—including command, control communications, computers, intelligence, surveillance, and reconnaissance has begun. The lead contractor is Lockheed Martin, and the contract could eventually be worth approximately \$2.15 billion.⁷¹ In September 2003, Lockheed Martin MS2 Tactical Systems was awarded an initial \$27.5 million contract to begin working on the integrated system for Taiwan. The project is expected to be completed by June 2004. Under the contract, Lockheed Martin will provide the C4ISR and Link-16⁷² combat radio capabilities across Taiwan’s armed forces. Taiwan will buy this system in increments, as funding is made available over the next few years.¹

In March 2004, the U.S. Defense Security Cooperation Agency notified Congress about the probable sale to Taiwan of two ultra-high-frequency long-range early warning radars as well as associated equipment and services. The total value could reach as much as NT\$58.55 billion, or \$1.8 billion. These radars would be part of Taiwan’s surveillance radar program.⁷³ The full package would also include missile warning centers, facilities to house and maintain the radar, and training programs. These systems would enable Taiwan to detect Chinese missile launches earlier, providing more warning time.⁷⁴ President Clinton approved the sale of the long-range radar in April 2000,⁷⁵ and in November 2003 the defense committee of Taiwan’s Legislative Yuan finally approved the acquisition. The long delay in final approval was the result of negotiations between the government and the Legislative Yuan.

Additionally, the Ministry of National Defense (MND) has formally presented a letter of request to acquire three PAC-3 units and upgrade three PAC-2 units to PAC-3 standards. Minister of Defense Tang Yiao-ming stressed that the PAC-3 procurement would be finalized in the 2005 budget,⁷⁶ with an estimated cost of NT\$110 billion (\$3.3 billion). It has been reported that the MND will request a special budget for the purchase, because the annual defense budget will be insufficient.⁷⁷ The MND hopes to finalize the submarine purchase plan by mid-2004. The only contract fully underway is the NT\$28 billion (\$844 million) contract for the KIDD-class destroyers.⁷⁸ The MND is also working on a low-altitude antitactical ballistic missile that, according to MND Administrative Deputy Minister Lee Hai-tung, will be completed within ten years.⁷⁹

¹Jason Sherman, “Taiwan To build Military-Wide C4ISR Network,” *Defence Tech*, October 11, 2003 DefenceTalk.com.

The MND has proposed spending NT\$605.2 billion (US\$ 17.9 billion) on arms procurement over the next five years. This proposal allots the air force 24.55 percent, the navy 23.76 percent, and the army 18.92 percent.⁸⁰ In terms of arms procurement, twenty-eight percent of the budget will be spent on information and electronic warfare equipment.

RECOMMENDATIONS

- The annual report to Congress recommended in Chapter 4 on Taiwan's requests for military equipment and technology should include an assessment of the new military systems required by Taiwan to defend against advanced PRC offensive capabilities.
- As recommended in Chapter 4, Congress and the administration should review the need for a direct communications hotline between the United States and Taiwan for dealing with crisis situations. This is important in light of the short time frame of potential military scenarios in the Strait, together with Chinese strategic doctrine emphasizing surprise and deception.
- The Commission recommends that Congress urge the president and the secretaries of State and Defense to press strongly their European Union counterparts to maintain the EU arms embargo on China.
- The Commission recommends that Congress direct the administration to restrict foreign defense contractors who sell sensitive military-use technology or weapons systems to China from participating in U.S. defense-related cooperative research, development, and production programs. This restriction can be targeted to cover only those technology areas involved in the transfer to China.
- The Commission recommends that Congress request the Department of Defense to provide a comprehensive annual report to the appropriate committees of Congress on the nature and scope of foreign military sales to China, particularly from Russia and Israel.

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